

Minutes of a meeting of the **GOVERNANCE AND AUDIT COMMITTEE** held in the Meeting Room 1, Council Offices, Priory Road, Spalding, on Thursday, 24 May 2018 at 6.30 pm.

PRESENT

G R Aley (Chairman)

D Ashby
C J T H Brewis

T A Carter
P C Foyster

M D Seymour

Apologies for absence were received from or on behalf of Councillors J R Astill John Cornett (Director, KPMG), Helen Brookes (Manager, KPMG) and Emma Hodds (Internal Audit Consortium Manager, Eastern Internal Audit Services).

In Attendance: The Head of Finance, the Finance Manager Treasury, the Finance Accountant, the Business Intelligence Officer, the Democratic Services Officer and the Portfolio Holder Finance.

1. DECLARATION OF INTERESTS

There were no declarations of interest.

2. MINUTES

The minutes of the Governance and Audit Committee meeting held on 15 March 2018 were signed by the Chairman as a correct record.

3. QUARTER 4 RISK REPORT

Consideration was given to the report of the Executive Director Strategy and Governance which informed the Committee on the current status of the Council's strategic risks.

The committee noted the following:

- There was currently one risk in the high risk category. This related to the critical breach of ICT which had been increased following the National Cyber Security Centre (NCSS) intelligence regarding possible increased threat from Russian government-supported malicious cyber activity. The ICT department were aware of the threat and were reviewing the mitigations suggested by the NCSS, as well as continuing with the ongoing work to ensure the safety of the Authority's computer networks.
- There were currently thirteen risks which fell into the medium category. Of these risks, most remained at the same score as

Action By

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last quarter with one risk increasing in score. There had been three new risks added since Quarter 3 – Impact of Homelessness Reduction Act; Contracts Monitoring and Staff Recruitment and Retention within the Shared Services Arrangement.

- A risk that had increased in the quarter was the impact of business rate appeals. This was due to current ongoing legal action undertaken by the NHS which was appealing for business rate reductions to be applied which, if successful, could have an impact throughout the country and therefore increased the likelihood on the SHDC risk. More detail would be provided of the decision when available.

AGREED:

That the contents of the report be noted.

(The Business Intelligence Officer left the meeting following discussion of this item).

4. EXTERNAL AUDIT PROGRESS REPORT AND TECHNICAL UPDATE

Consideration was given to the report from KPMG, which provided details of the external audit progress and technical update, as at May 2018.

The report provided the Governance and Audit Committee with an overview of progress in delivering KPMG's responsibilities as the external auditors. The report also highlighted the main technical issues which were currently having an impact on local government. The articles that were believed to have an impact at the Authority had been flagged and a perspective had been provided on each issue.

No officers from KPMG were able to attend the meeting and the Chairman advised the Panel to contact KPMG should they have any particular comments or questions.

AGREED:

That the report be noted.

5. PRE-AUDIT 2017-18 FINANCIAL STATEMENTS, INCLUDING NARRATIVE REPORT AND ANNUAL GOVERNANCE STATEMENT

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Consideration was given to the report of the Executive Director Commercialisation (S151) which presented the Pre-Audit Financial Statements 2017/18 for members' consideration, prior to formal approval by the Executive Director Commercialisation.

The Accounts and Audit regulations 2015 required that the Responsible Financial Officer signed the unaudited statement of accounts no later than 31 May, and the statement of accounts be considered and approved by a committee of the Council no later than 31 July. Deadlines had been moved forward from 30 June to 30 September from 2017/18, hence the late release of the report to this meeting.

As part of the governance role, and in line with good practice, the report presented the unaudited financial statements to the Committee, to enable comments and challenge, and to highlight any key areas.

The Financial Statements production process was complete. Included in Appendix A was the unaudited version of the 2017/18 Financial Statement, which contained the Expenditure and Funding Analysis; Comprehensive Income and Expenditure Statement; Movement in Reserves Statement; Cash Flow Statement and Balance Sheet as at 31 March 2018. It was possible that minor presentational adjustments could be undertaken before the statutory deadline for publishing the accounts (31 May).

The timescales involved with the approval, inspection and audit of the Council's financial statements for 2017/18 were:

- Unaudited Financial Statements to Committee - 24 May 2018
- Executive Director Commercialisation to sign Statements -24 May 2018
- Accounts available for Public inspection from - 25 May 2018
- Audit by KPMG to commence - 18 June 2018
- Financial Statements approved by Committee - 26 July 2018
- Auditor's opinion on Statements issued by - 31 July 2018

The accounts had been prepared in accordance with the Code of Practice and the Council's accounting policies. A small number of minor presentational adjustments were required to ensure compliance with the 2017/18 Code of Practice. No amendments were required to be made to the Primary Financial Statements, and the level of resources available to the Council remained the same. The unaudited Financial Statements contained the draft Annual Governance Statement, which the Committee was asked to approve.

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Members considered the information within the report, and congratulated the Finance Department for achieving the new deadlines.

ACTION:

That the draft Annual Governance Statement , included within the unaudited Financial Statements 2017/18 be approved.

6. ANNUAL TREASURY MANAGEMENT REVIEW 2017/18

Consideration was given to the report of the Executive Director Commercialisations (S151) which requested that the Committee consider the Annual Treasury Management Review 2017/18 prior to it being submitted to Council for approval.

The Council was required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2017/18. The report met the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

During 2017/18, the following report had been submitted:

- An annual treasury strategy in advance of the year (to Council 22 February 2017);
- A mid year (minimum) treasury update report (to Governance and Audit on 14 December 2017);
- An annual review following the end of the year, describing the activity compared to the strategy (the report under consideration)

The regulatory environment placed responsibility on members for the review and scrutiny of treasury management policy and activities. The report was therefore important in that respect, as it provided details of the outturn position for treasury activities and highlighted compliance with the Council's policies previously approved by members.

The Council also confirmed that it had complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Governance and Audit Committee. Member training on treasury management issues was undertaken during 2017/18 on 15 March 2018, in order to support the members' scrutiny role.

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The report summarised the following:

- Capital activity during the year;
- Impact of the activity on the Council's underlying indebtedness (the Capital Financing Requirement);
- The actual prudential and treasury indicators;
- Overall treasury position identifying how the Council had borrowed in relation to its indebtedness, and the impact on investment balances;
- Summary of interest rate movements in the year;
- Detailed debt activity;
- Detailed investment activity

Members considered the report, and the following issues were raised:

- The Authority frequently underspent on intended capital spend – should figures be revised in the future?
 - Officers advised that few authorities achieved their intended spend, and there was often significant slippage. However, it was not desirable to have an underspend on a capital programme, and more rigorous processes needed to be put in place. A working group was shortly due to be set up to try and identify issues.
- With regard to repaid loans, members asked where these monies had since been invested.
 - Officers were not able to provide this information but advised that a response would be forwarded to members of the Committee in due course.

AGREED:

That the report be noted.

7. GOVERNANCE AND AUDIT COMMITTEE WORK PROGRAMME

Consideration was given to the report of the Executive Manager – Governance (Deputy Monitoring Officer) which set out the Work Programme of the Governance and Audit Committee, as set out in Appendix A within the report.

AGREED:

That the report and content of the Work Programme be noted.

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8. ANY OTHER ITEMS WHICH THE CHAIRMAN DECIDES ARE URGENT.

There were none.

(The meeting ended at 7.38 pm)

(End of minutes)